

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 26, 2008

**Bill Number:** H.B. 4593

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**Committee Requesting Impact:** House Ways & Means Committee

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### Bill Summary

A bill to amend Section 12-6-3477, of the Code of Laws of South Carolina, 1976, relating to the apprentice state income tax credit, so as to allow an employer a credit against state income tax equal to five hundred dollars in each taxable year for employing an apprentice in a high school vocational program, to allow unused credit to carry forward to two succeeding taxable years, and to provide for the administration of this credit.

### REVENUE IMPACT <sup>1/</sup>

This bill is expected to reduce General Fund individual income tax revenue by an estimated \$3,354,270 in FY2008-09.

### Explanation

This bill would amend Section 12-6-3477 to allow a taxpayer who employs an apprentice from a high school vocational or coop apprenticeship program a nonrefundable tax credit of \$500 for each apprentice employed. The taxpayer must supervise the apprentice for at least fifty hours each semester during a taxable year and the tax credit is not allowed for an individual apprentice for more than two taxable years. There is no requirement that the apprentice be remunerated for his services to the taxpayer. The taxpayer must verify on a form provided by the Department of Revenue that the requirements for applying for the credit have been met to ensure proper administration of the credit. Based on the reported average daily membership in vocational programs in FY2006-07, there were 98,655 vocational students in South Carolina. According to conversations with several applied technology centers in the state, an estimated ten percent of students are involved in apprenticeships with local employers. Multiplying 98,655 vocational students statewide by ten percent and applying a \$500 nonrefundable tax credit by the employer yields an estimated \$4,932,750 in annual tax credits in FY2008-09. According to the Department of Revenue, nearly one-third of taxpayers do not have sufficient taxable liability to apply the full amount of the credit in a taxable year. Reducing \$4,932,750 by those individual taxpayers that do not have sufficient taxable liability yields reduction of General Fund income tax liability of an estimated \$3,354,270 in FY2008-09.

/s/ WILLIAM C. GILLEPSPIE, PH.D.

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.